

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6387

BILL NUMBER: SB 67

NOTE PREPARED: Mar 3, 2016

BILL AMENDED: Feb 29, 2016

SUBJECT: Local Income Tax Distributions and State Income Tax Credit Study.

FIRST AUTHOR: Sen. Hershman

FIRST SPONSOR: Rep. T. Brown

BILL STATUS: As Passed House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Supplemental Distributions:* The bill provides for a supplemental distribution of local income taxes when the balance in a county's local income tax trust account exceeds 15% (rather than 50%, under current law) of the certified distributions to be made to the county. It specifies the accounting, allocation method, and distribution requirements for supplemental distributions.

Special Distribution: The bill requires in May 2016 a one-time special distribution from a county's local income tax trust account equal to 88% of the balance in the county's trust account on December 31, 2014. It allocates the special distribution among taxing units in the same manner as a distribution would have generally been allocated under the former income taxes. It requires a taxing unit to deposit the amount it receives in its rainy day fund.

Study Topic: It urges the interim study of income tax credits to serve as an incentive to motivate: (1) the reoccupation of abandoned property; and (2) the rehabilitation of abandoned property or new construction; in a designated area.

Effective Date: (Amended) Upon passage; July 1, 2016.

Explanation of State Expenditures: (Revised) *State Budget Agency (SBA) and Department of Local Government Finance (DLGF):* The SBA will compute the amount of the special distribution, and the DLGF will determine the allocation among the local units. In addition, the bill modifies the procedure to determine supplemental distributions of local income tax. Each agency's current level of resources should be sufficient to implement the provisions within the bill.

(Revised) *Study Topic:* The bill urges the Legislative Council to assign the topic using income tax credits to encourage taxpayers to reoccupy and rehabilitate abandoned property to an appropriate interim study committee in 2016. If the committee were to hold additional meetings to address this topic, there would be additional expenditures for legislator per diem and travel reimbursement for the committee members. Any additional expenditures must be within the committee's budget, which is established by the Legislative Council.

Interim study committees operate on budgets established by the Legislative Council based on committee size. Legislative Council resolutions in the past have established budgets for committees in the amount of \$9,500 per interim for committees with fewer than 16 members and \$16,500 for committees with 16 members or more.

Explanation of State Revenues: (Revised)

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) *Summary* - This bill requires a one-time special distribution of local income tax revenue in CY 2016. The total amount of the special distribution is approximately \$444 M. In addition, it alters the procedure to determine whether a county will receive a supplemental distribution beginning in CY 2017. This provision may result in some counties receiving supplemental distributions in CY 2017. The number of counties that will receive supplemental distributions will increase each year thereafter.

Additional Information -

(Revised) *Special Distribution:* The bill requires a one-time special distribution of local income tax revenue to be made before May 1, 2016. Each county will receive a distribution equal to 88% of the county's local income tax trust account balance as of December 31, 2014, allocated using the formula for either local property tax replacement credits, certified shares, or economic development shares. The total special distribution made in CY 2016 is estimated to be about \$444 M. (Note: A table at the end of this document reports the estimated special distribution by county.)

The special distribution received by a local unit is to be deposited into the unit's rainy day fund.

(Revised) *Supplemental Distributions:* The bill modifies the threshold and procedure for determining supplemental distributions of local income tax revenue. These changes will increase the frequency of supplemental distributions paid to counties. The supplemental distribution equals the amount of the unencumbered balance in the county's trust account that exceeds 15% of the certified distribution to be made to the county in the determination year. The SBA will determine supplemental distributions using the new parameters before May 2, 2017, for potential distributions in CY 2017. This bill is estimated to trigger \$1.8 M in distributions to 3 counties in CY 2017, \$37 M to 27 counties in CY 2018, and \$79 M to 56 counties in CY 2019. (Note: A table at the end of this document reports supplemental distribution estimates by county and year.)

Under the bill's provisions, supplemental distributions will be allocated in the same manner as certified distributions based on the allocation and tax rates that were in effect during the trust account balance year. The revenue must be used for its specified purpose.

Under current law, supplemental distributions are determined for the ensuing year before November 2. The amount of the distribution equals the balance of the county's trust account that exceeds 50% of the certified distribution to be made to the county in the ensuing year. The supplemental distribution is paid to the counties in January of the ensuing year. Supplemental distributions are allocated in the same manner as certified distributions, to be deposited in the civil unit's rainy day fund except the portion of revenue attributable to a special purpose rate. That revenue is required to be used for the specified purpose.

State Agencies Affected: State Budget Agency, Department of Local Government Finance, Legislative Council.

Local Agencies Affected: Counties and other local units.

Information Sources: County local income tax trust balance accounts; LSA 1% local income tax forecast.

Fiscal Analyst: Heath Holloway, 317-232-9867.

County Name	Special Distribution	Supplemental Distributions			
	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020
Adams	\$2,211,000	\$0	\$0	\$317,000	\$538,000
Allen	\$14,476,000	\$0	\$0	\$4,586,000	\$6,348,000
Bartholomew	\$5,964,000	\$0	\$0	\$929,000	\$1,329,000
Benton	\$810,000	\$0	\$0	\$0	\$253,000
Blackford	\$410,000	\$0	\$0	\$0	\$0
Boone	\$11,479,000	\$0	\$834,000	\$1,208,000	\$946,000
Brown	\$947,000	\$0	\$529,000	\$624,000	\$569,000
Carroll	\$1,617,000	\$0	\$0	\$0	\$0
Cass	\$2,533,000	\$0	\$0	\$57,000	\$524,000
Clark	\$10,558,000	\$0	\$746,000	\$2,399,000	\$2,359,000
Clay	\$1,786,000	\$0	\$0	\$12,000	\$403,000
Clinton	\$1,972,000	\$0	\$0	\$0	\$29,000
Crawford	\$179,000	\$0	\$29,000	\$83,000	\$73,000
Daviess	\$2,995,000	\$0	\$126,000	\$543,000	\$513,000
Dearborn	\$1,295,000	\$0	\$0	\$0	\$229,000
Decatur	\$1,489,000	\$0	\$94,000	\$450,000	\$454,000
DeKalb	\$4,046,000	\$0	\$2,240,000	\$2,301,000	\$2,310,000
Delaware	\$1,915,000	\$0	\$0	\$0	\$0
Dubois	\$4,183,000	\$0	\$523,000	\$685,000	\$705,000
Elkhart	\$25,320,000	\$0	\$3,812,000	\$3,965,000	\$3,528,000
Fayette	\$608,000	\$0	\$0	\$0	\$164,000
Floyd	\$8,195,000	\$0	\$246,000	\$884,000	\$762,000
Fountain	\$696,000	\$0	\$0	\$0	\$0
Franklin	\$1,199,000	\$0	\$0	\$0	\$0
Fulton	\$1,781,000	\$0	\$0	\$0	\$0
Gibson	\$1,181,000	\$0	\$0	\$250,000	\$262,000
Grant	\$3,734,000	\$0	\$0	\$0	\$0
Greene	\$1,409,000	\$0	\$0	\$0	\$207,000
Hamilton	\$57,852,000	\$894,000	\$14,737,000	\$14,761,000	\$15,340,000

County Name	Special Distribution	Supplemental Distributions			
	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020
Hancock	\$9,152,000	\$0	\$0	\$0	\$0
Harrison	\$767,000	\$0	\$0	\$0	\$0
Hendricks	\$21,541,000	\$0	\$3,273,000	\$5,356,000	\$5,271,000
Henry	\$485,000	\$0	\$0	\$0	\$0
Howard	\$2,121,000	\$0	\$821,000	\$1,206,000	\$1,108,000
Huntington	\$2,342,000	\$0	\$0	\$0	\$0
Jackson	\$2,595,000	\$0	\$168,000	\$837,000	\$811,000
Jasper	\$9,190,000	\$0	\$0	\$317,000	\$813,000
Jay	\$1,565,000	\$0	\$0	\$0	\$342,000
Jefferson	\$361,000	\$0	\$0	\$23,000	\$73,000
Jennings	\$1,127,000	\$0	\$0	\$122,000	\$340,000
Johnson	\$12,567,000	\$0	\$1,591,000	\$2,414,000	\$2,226,000
Knox	\$2,426,000	\$0	\$0	\$262,000	\$331,000
Kosciusko	\$2,661,000	\$635,000	\$873,000	\$741,000	\$704,000
LaGrange	\$4,791,000	\$317,000	\$691,000	\$640,000	\$633,000
Lake	\$27,583,000	\$0	\$0	\$0	\$3,441,000
LaPorte	\$4,309,000	\$0	\$0	\$1,013,000	\$1,196,000
Lawrence	\$2,032,000	\$0	\$0	\$6,000	\$468,000
Madison	\$7,674,000	\$0	\$0	\$0	\$0
Marion	\$52,295,000	\$0	\$0	\$10,856,000	\$18,077,000
Marshall	\$2,363,000	\$0	\$0	\$438,000	\$416,000
Martin	\$148,000	\$0	\$0	\$182,000	\$177,000
Miami	\$1,693,000	\$0	\$0	\$0	\$405,000
Monroe	\$6,892,000	\$0	\$79,000	\$2,031,000	\$2,092,000
Montgomery	\$1,741,000	\$0	\$0	\$39,000	\$627,000
Morgan	\$4,328,000	\$0	\$0	\$0	\$0
Newton	\$590,000	\$0	\$0	\$42,000	\$177,000
Noble	\$3,262,000	\$0	\$739,000	\$1,017,000	\$966,000
Ohio	\$184,000	\$0	\$0	\$24,000	\$82,000
Orange	\$451,000	\$0	\$0	\$0	\$87,000
Owen	\$666,000	\$0	\$34,000	\$243,000	\$247,000
Parke	\$946,000	\$0	\$0	\$95,000	\$322,000
Perry	\$847,000	\$0	\$0	\$259,000	\$299,000
Pike	\$321,000	\$0	\$0	\$0	\$18,000
Porter	\$3,749,000	\$0	\$0	\$1,281,000	\$1,326,000
Posey	\$2,173,000	\$0	\$0	\$0	\$110,000
Pulaski	\$2,394,000	\$0	\$0	\$58,000	\$661,000
Putnam	\$1,888,000	\$0	\$0	\$0	\$0
Randolph	\$1,395,000	\$0	\$0	\$30,000	\$380,000
Ripley	\$1,379,000	\$0	\$0	\$91,000	\$407,000
Rush	\$1,723,000	\$0	\$0	\$0	\$348,000
St. Joseph	\$13,926,000	\$0	\$0	\$5,480,000	\$5,429,000
Scott	\$808,000	\$0	\$0	\$210,000	\$238,000
Shelby	\$1,557,000	\$0	\$0	\$0	\$0
Spencer	\$957,000	\$0	\$0	\$177,000	\$180,000
Starke	\$1,291,000	\$0	\$0	\$0	\$171,000
Steuben	\$4,094,000	\$0	\$0	\$562,000	\$734,000

County Name	Special Distribution	Supplemental Distributions			
	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020
Sullivan	\$309,000	\$0	\$0	\$0	\$48,000
Switzerland	\$166,000	\$0	\$68,000	\$133,000	\$142,000
Tippecanoe	\$13,105,000	\$0	\$1,875,000	\$2,762,000	\$2,711,000
Tipton	\$1,230,000	\$0	\$0	\$0	\$0
Union	\$466,000	\$0	\$415,000	\$135,000	\$146,000
Vanderburgh	\$6,643,000	\$0	\$0	\$1,872,000	\$2,005,000
Vermillion	\$0	\$0	\$0	\$0	\$0
Vigo	\$3,640,000	\$0	\$214,000	\$1,534,000	\$1,594,000
Wabash	\$3,938,000	\$0	\$984,000	\$1,394,000	\$1,332,000
Warren	\$1,532,000	\$0	\$0	\$0	\$0
Warrick	\$2,896,000	\$0	\$241,000	\$535,000	\$426,000
Washington	\$1,754,000	\$0	\$0	\$0	\$0
Wayne	\$1,653,000	\$0	\$0	\$0	\$493,000
Wells	\$2,444,000	\$0	\$0	\$0	\$0
White	\$1,987,000	\$0	\$0	\$0	\$0
Whitley	\$163,000	\$0	\$1,000,000	\$993,000	\$945,000
Grand Total	\$444,116,000	\$1,846,000	\$36,982,000	\$79,464,000	\$99,420,000